



The Perfect Board in Four Acts

Key Elements of Successful Board Relationships

Emily Stumhofer, *Staff Attorney*
Nonprofit Risk Management Center

Session Overview



- ❖ Governance Basics
- ❖ **Act I** – Downside Risks
- ❖ **Act II** – Causes of Mistrust
- ❖ **Act III** – Elements of Success
- ❖ **Act IV** – Action Steps
- ❖ Other Factors


Governance Basics —

What is Governance?



- ❖ Means in which the leading authority, often the board of directors... guides and monitors the values and goals of its organization through policy and procedures.
- www.pfc.ca/cms_en/page1112.cfm


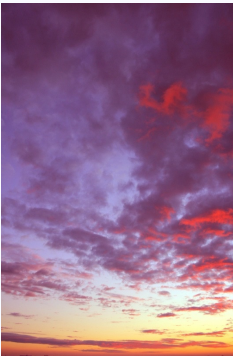




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What's the Risk?

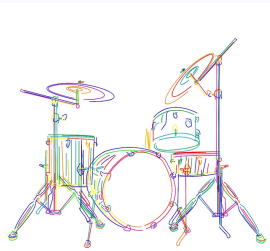
- ❖ Effective organizations are **agile, resilient** and **poised to learn**.
- ❖ Governance practices can **enhance these capabilities** or make them impossible to achieve.



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"We are Unique"

- Every organization views itself as unique.
- General principles apply and "good governance" practices should be considered.



Governance Models and Frameworks



- ❖ No single best framework
- ❖ *Good governance practices are strikingly similar across sectors: business, public and nonprofit*
- ❖ “What works best” based on context:
 - ❖ Mission, culture, environment, resources, ambition, vision



Governance Over Time



- ❖ Governance practices **MUST evolve over time** to meet the changing needs of an organization
- ❖ A common mistake is to ignore the need for change





What is a Board?

❖ “an organized group of people with the authority collectively to control and foster an institution that is usually administered by a qualified executive and staff.”

❖ Source: *Governing Boards*, by Cyril O. Houle

❖ 1989 – Jossey-Bass & NCNB



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ACT I

The Downside Risks of Failed or Failing Board-CEO Partnerships



Conflict Over Roles

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- ❖ Grey areas of responsibility
 - ❖ Board is unclear about the difference between ***governance*** and ***management***
 - ❖ Director is unclear about the board's role
- ❖ Board is unfamiliar with the scope of day-to-day operations



Fostering the Institution

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- ❖ Board members should spend most of their time “aiding and supporting” the institution, not controlling it.







Loss of Morale

- ❖ Volunteers and staff lose respect for the director
- ❖ Pulled in many directions at once
- ❖ Loss of satisfaction in the nonprofit's work



Increased Turnover

- ❖ Unhappiness or dissatisfaction with the nonprofit may lead to turnover
- ❖ Increased turnover = increased recruitment and training = **money and time**

ACT II

The Causes of Board-CEO Power Struggles and Mistrust

Unclear Expectations



- ❖ Board members think that they will play a role in **managing** the organization (hiring, creating educational materials)
- ❖ The expectations of board members are not clearly outlined from the start



Lack of Information

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- ❖ Board members don't understand the daily operations of the nonprofit, and what the director does
- ❖ The director feels as though the board doesn't trust or appreciate her work





Poor Communication


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- ❖ The *unclear expectations* and *lack of information* may be compounded with continued **poor communication**
- ❖ Frustration for both parties



Lack of Trust



- ❖ Constant concerns of *focus, intent* and *appropriateness* of decisions
- ❖ Decisions are constantly questioned, and may be perceived as incompetence



Organizational Change



- ❖ Change from *volunteer-based* to *employee-based*
- ❖ New executive director
- ❖ Evolving needs or requirements



Ineffective Division of Labor

- ❖ Board wants to play a role in management
- ❖ Board and director are constantly stepping on each others' toes
- ❖ May lead to:
 - ❖ duplication of effort
 - ❖ frustration
 - ❖ inability to realize important goals



Incompatible Behaviors

- ❖ Independence *versus* accountability
- ❖ Board members may use their role to exert control in inappropriate ways
- ❖ **Personality clash** – differences in styles or values

ACT III

The Key Elements of a Successful Board-CEO Relationship

Clear Division of Labor

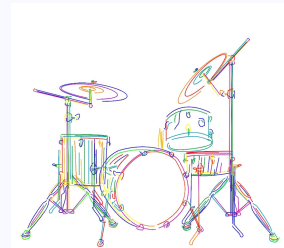


- ❖ Constructive partnership
- ❖ Recognition of board & director interdependency
- ❖ Clarity about the role of each individual associated with the organization



Division of Roles

- ❖ There will be some overlap in what the board does and what the director does



Division of Duties

Board of Directors

- ❖ Legal oversight
 - ❖ Fiduciary duties
- ❖ Management oversight
 - ❖ Select, support and assess director
- ❖ Financial oversight
 - ❖ Set & approve budget
- ❖ Program oversight
 - ❖ Ensure programs are in line with mission

Executive Director

- ❖ Staff & volunteer management
- ❖ Develop & manage programs
- ❖ Design policies to support programs
- ❖ Act as staff/ volunteer liaison to the board
- ❖ Provide board with progress information

Shared

- ❖ Create strategic plan
- ❖ Develop a practical fundraising plan
- ❖ Evaluate the progress of the nonprofit toward its mission

Responsibility Area	Role of the Board	Role of the Executive Director and Staff	Joint/Overlapping
Mission and Planning	Approve mission, vision and values and strategic plan. Approve annual implementation plan – ensure consistency with strategic plan.	Develop annual implementation plan consistent with strategic plan.	Develop mission, vision, values and strategic plan. Implementation plan for board initiatives.
Programs	Ensure that programs are achieving established objectives. Approve new program areas.	Develop and implement programs. Provide evidence of program accomplishments.	Establish program objectives. Determine when to eliminate programs.
Fundraising	Ensure that organizational resources are consistent with organizational activities. Support fundraising activities.	Execute fundraising strategy, with support from the board.	Develop a fundraising strategy.
Personnel	Hire and evaluate the executive director. Establish executive director compensation.	Hire all staff other than the executive director. Staff supervision. Set compensation and benefits.	Establish a whistle blower policy. Establish a grievance policy.
Marketing	Ensure that messaging is consistent with mission and values. Be effective ambassadors for the organization.	Develop marketing materials. Create and execute marketing strategy. Effectively represent the organization externally.	Shape the message of the nonprofit.
Finance	Approve the budget. Understand the budget to actual report, and ensure that appropriate strategies are implemented in response to	Develop an annual budget. Determine specific expenditures within approved budget lines. Develop and	Develop financial policies and internal controls. Establish overall income and expense parameters for the budget.

Sample Duty Division Chart

Governance Matters Board Leadership Tool, available at <http://www.boardcoach.com/downloads/Executive-Director-Conflict-Board-Leadership-Project-Governance-Matters.pdf>

Strategic Thinking



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- ❖ The Board hones the organization's direction by engaging in strategic thinking
- ❖ For example:
 - ❖ *What big risks should the nonprofit consider/take to advance our mission?*
 - ❖ *What are the assumptions that underlie our major strategies? Have we questioned those assumptions?*
 - ❖ *Do we devote enough time to strategic thinking?*

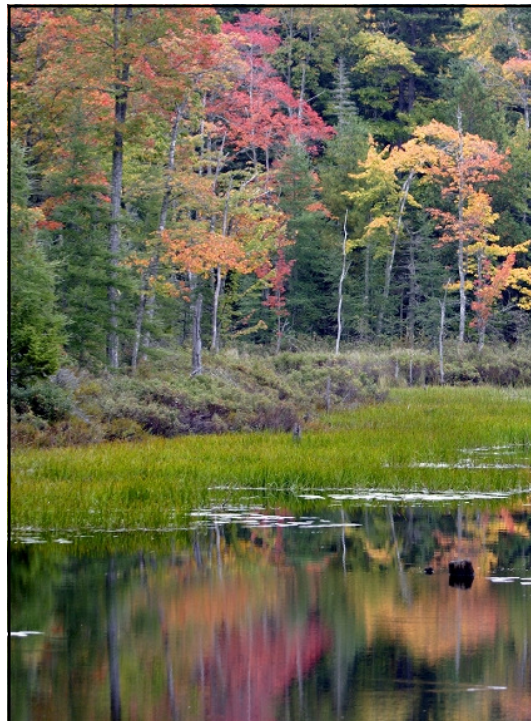


Culture of Candor



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- ❖ Duty of dissent
- ❖ Institutionalizing a **culture of inquiry**:
 - ❖ *Constructive debate leading to sound and shared decision making*
 - ❖ *The Board seeks more information, questions assumptions, and challenges conclusions – in an environment of mutual respect*



Culture of Reflection

- ❖ Resist “fight or flight”
- ❖ Things go wrong; let’s figure out why
- ❖ Mistakes were made—possibly by me!



Find the answer here | nonprofrisk.org

Continuous Improvement

- ❖ Actively seek ways to improve
- ❖ Continuous learning

“Experience is inevitable. Learning is not.”

Paul J.H. Shoemaker



ACT IV

Action Steps to Get the Board and CEO “in tune” and Pitch Perfect



“We’re All in This Together”

- ❖ Create a *constructive partnership*
- ❖ Board and director depend on one another
- ❖ Culture emphasizes shared responsibility



Replay and Remix

- ❖ As the nonprofit evolves, so too will the responsibilities of the director AND the board
- ❖ Revisit position descriptions and duties at least annually



Flip Your Board Agenda




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- ❖ Make board meetings more engaging and interactive by starting with a discussion on strategy and direction
- ❖ End with the routine



Build Trust & Fellowship



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- ❖ Encourage open discussion and honest feedback
- ❖ Allow time for some social interaction



Make it a Priority



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- ❖ The relationship between your board and CEO will affect all parts of the organization
- ❖ Work on it today!



Strengthening Your Board

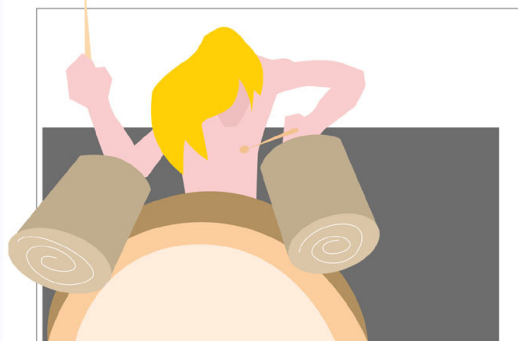
Appropriate Materials

1. Articles of Incorporation
2. Bylaws
3. History of the organization
4. Mission statement
5. Description of services
6. Financial and operating reports (Form 990)
7. Strategic plan
8. Copy of D&O Insurance Policy
9. List of key personnel
10. Board meeting minutes
11. Copy of conflict of interest policy disclosures
12. Audit results
13. Board policies

Appropriate Insurance



- ❖ Carefully consider what risks your organization might be facing, and whether insurance might be helpful




Insurance Do's and Don'ts

 **Do:**

- ❖ Find a competent insurance professional
- ❖ Read your policies
- ❖ Investigate stability of insurers
- ❖ Get answers in writing
- ❖ Seek multiple bids
- ❖ Distribute the D&O policy
- ❖ Discuss risk management at the board level

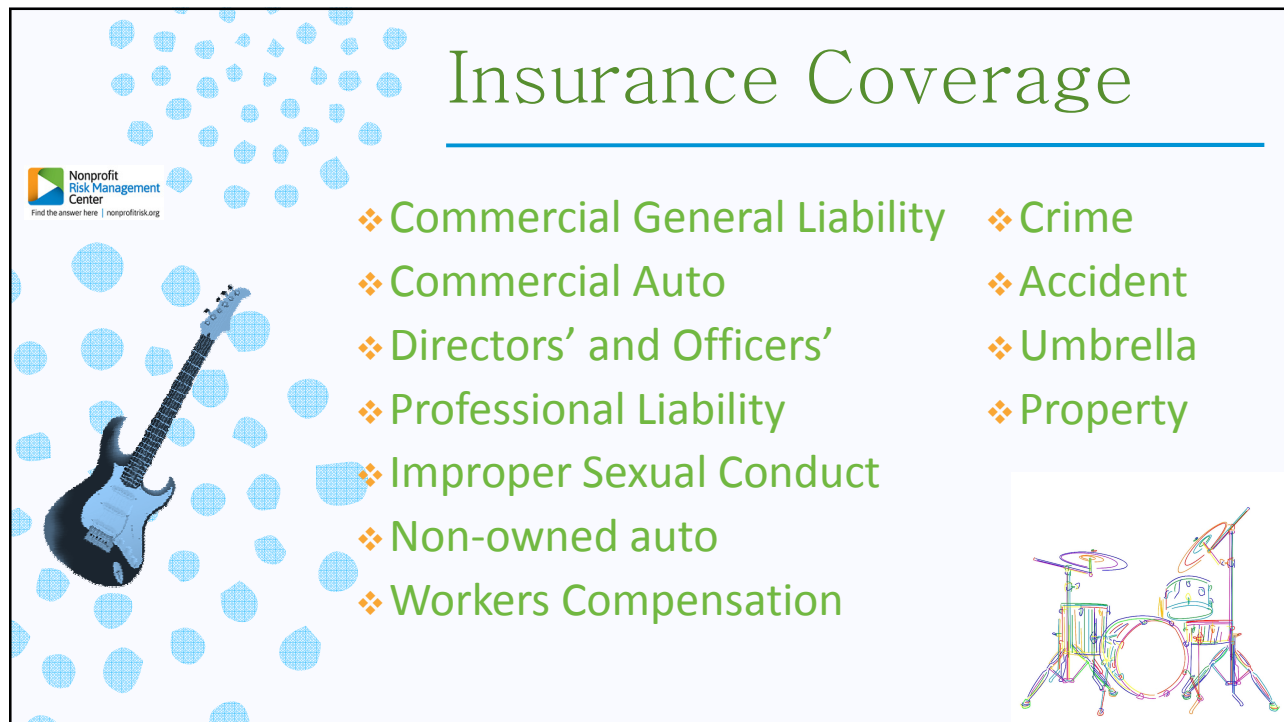



Insurance Do's and Don'ts


 **Don't:**

- ❖ Pass insurance to a junior staff member
- ❖ Renew coverage without adequate review
- ❖ Wait until the last minute...
- ❖ Be evasive on the application
- ❖ Let insurance take the place of risk management



Insurance Coverage

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- ❖ Commercial General Liability
- ❖ Commercial Auto
- ❖ Directors' and Officers'
- ❖ Professional Liability
- ❖ Improper Sexual Conduct
- ❖ Non-owned auto
- ❖ Workers Compensation
- ❖ Crime
- ❖ Accident
- ❖ Umbrella
- ❖ Property



Setting The Size of the Board

 Find the answer here | nonprofitrisk.org

- ❖ How many members should you have?
- ❖ At least three
- ❖ Depends on culture, staffing, ability to recruit

Advantages

- ❖ Greater diversity
- ❖ Greater reach
- ❖ Greater potential for committees
- ❖ More inclusive of community leaders and funding experts
- ❖ Sharing of work and duties
- ❖ Fundraising potentially easier
- ❖ Maintain institutional memory over time

Having a Large Board

Advantages and Disadvantages

Disadvantages

- ❖ Less outspoken members may not have a voice
- ❖ Scheduling difficulties
- ❖ Personalities are more likely to conflict or be an issue
- ❖ Less ownership over work product
- ❖ Feelings of being unneeded
- ❖ Difficult communication and interactive discussion

Having a Large Board



Advantages and Disadvantages



Diverse Perspectives

- ❖ The diverse views, backgrounds, experiences, biases and talents of board members are an important asset.
- ❖ **Diversity by design:** ensuring wide-ranging views doesn't happen automatically

"If you want to go quickly, go alone; if you want to go far, go together." (African Proverb)



Good Structure

- ❖ Every governing body needs *structure, basic procedures* and the *discipline to adhere to its rules and operating norms*
- ❖ Leaders should spend as much time working "on the organization" as they spend working "in the organization"

Engaging Your Board

 Find the answer here | nonprofitrisk.org

❖ Having a board that cares about the mission and programs of your nonprofit is essential





Find the answer here | nonprofitrisk.org

What gets your board fired up?




Find the answer here | nonprofitrisk.org

Tips for Engaging Your Board

- 1. Make it simple**
 - ❖ Hold a thorough, consistent orientation
 - ❖ Provide continued communications and information about the nonprofit's work
 - ❖ Tell the board what you NEED
 - ❖ Provide diverse opportunities for helping out



Tips for Engaging Your Board

2. Show Them How Essential They Are

- ❖ Ask board members to help out in specific areas
- ❖ Emphasize the importance of the help



Tips for Engaging Your Board

3. Don't Hide the Facts

- ❖ Provide the board with a well-rounded view of the organization—not just the good parts
- ❖ Show them the gaps, and ask for help



Find the answer here | nonprofitrisk.org

Tips for Engaging Your Board

4. Share the Impact

- ❖ When a board member does something to help your nonprofit, recognize it, and share it with the entire board



Find the answer here | nonprofitrisk.org

Resources

- ❖ *Twelve Principles of Governance That Power Exceptional Boards*. Washington, DC: BoardSource 2005, www.boardsource.org
- ❖ *Principles of Corporate Governance 2005*, Business Roundtable, www.businessroundtable.org
- ❖ Ethics & Compliance Officer Association and Ethics Resource Center – *Ethical Culture Building: A Modern Business Imperative*, www.ethics.org



QUESTIONS?

Emily Stumhofer, *Staff Attorney*
Nonprofit Risk Management Center
emily@nonprofitrisk.org
www.nonprofitrisk.org